Fred.Olsen Renewables

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By post and via e-mail

Dear Sam,

Re: Fred.Olsen Renewables Ltd.(FORL) Response to Consultation on Offshore Electricity Transmission Enduring Regime

Fred.Olsen has been involved in wind power since the mid 90's with presence in Norway, Sweden, UK, Ireland and Canada. Fred Olsen Renewables Limited (FORL) has 178MW of operational onshore wind projects, 138MW in construction and a further 135MW consented onshore in the UK and a further 1.1GW consented offshore in the Irish Sea. FORL is also involved in the Scottish Territorial Waters offshore wind area. This makes FORL a significant independent generator in the wind energy sector. In addition, FORL are BWEA, SRF, IWEA and NOW Ireland members and are active on a number of the industry groups and FORL staff have, and continue to be, involved with numerous industry working groups such as RAB Grid Group.
FORL has been involved in and has supported the BWEA response. This response highlights the specific points FORL supports in those organisations responses.

Grid is the critical issue for meeting renewable energy targets and we wholeheartedly share Ofgem's determination to see this regime work and to deliver benefits.

FORL endorses the aims of the offshore transmission regime, and in particular we are very keen to see that competitive tendering of offshore transmission licensees brings efficiency, innovation and expansion of the offshore transmission sector in line with need. The sheer scale of development required of the offshore wind industry makes this essential.

Offshore wind is at a crucial stage as it moves to a different scale of delivery with the Scottish Territorial Waters and Round 3. To ensure this expansion is successful will depend on the confidence of developers, OFTOs, investors and the supply chain. The enduring regime should be implemented as soon as possible and our key request is that greater flexibility should be introduced into the regime. BWEA strongly believe that in order to enable delivery this flexibility should include the ability for the developer to design and build their connection. We propose two modes of introducing this flexibility.

The urgent need for additional flexibility in the enduring regime

DECC and Ofgem have stressed that this consultation represents the final adjustments of offshore transmission policy. We share the BWEAs concern that in its current form, the regime will not deliver the large scale expansion of offshore wind that is planned for the next ten years.

It is important to stress that FORL believes the enduring regime should be implemented as soon as possible. The commitment to run the first enduring tender this year should stand.

However, we are concerned that an obvious "OFTO gap" is being created, where no new grid connection orders can be placed with the supply chain between the last transitional tender bid in May 2010 and the resolution of the first enduring bid in mid 2012. This gap is occurring just at the time when the supply chain is being asked to ramp up in order to deliver Scottish Territorial Waters and Round 3. It is essential that action is taken to prevent this gap and restore market signals to the supply chain.

Crucially projects that form part of The Crown Estate's proposed extension of Round 1 and 2 projects have been asked to construct by 2016. In order to meet this 2016 deadline projects will need to ensure a grid connection on their proposed timescale.

A further incentive to ensure there is no delay to initial enduring projects is DECC's enhanced ROC support for offshore wind. This enhancement is time limited to projects that are accredited by 2014. Developers are being incentivised by DECC to accelerate their programmes and a delay caused by the OFTO process could make this incentive meaningless.

The smooth delivery of projects over the next few years will have a major impact on industry confidence and so the ability delivery of offshore renewable expansion out to 2020 and reap benefits in job creation and investment.

We propose the addition of flexibility into the enduring regime to give developers the option to design and construct their own grid connection before transferring it to an OFTO. This flexibility will overcome the OFTO gap and bring projects and orders forward in the crucial period as industry ramps up for Scottish Territorial Waters and Round 3.

The two models we propose are:

- A temporary extension of the transitional regime for a further period of 2 or 3 years that is run in parallel to the enduring regime

- The introduction of flexibility into the enduring regime to give developers the option to design and construct their own grid connection before transferring it to a competitively tendered OFTO.

This would require no major change to the planned regime and enable the growing confidence of this industry to continue. If this is not allowed then the offshore transmission regime could well delay projects and compromise the commissioning dates agreed with The Crown Estate. We believe that both early and late OFTO processes will be pursued.

We also urge Ofgem to confirm quickly to the industry that the late appointment developer builds option will be available to allow parties to progress on that basis as the OFTO Gap has already started and is affecting projects and the supply chain.

The remainder of this response provides comments on each of the consultation Sections, answering each question posed in turn.

Section 3, The connection offer process

Ofgem talks about "*customer choice*" variations from a typical connection offer. In the onshore context this typically refers to a variation on an SQSS compliant design that a generator manages to negotiate. However for offshore, National Grid, the OFTO and Ofgem appear to be free to vary the design and, over-rule the generator. Therefore the notion of customer "*choice*" – whilst perhaps already stretched in the onshore case – is not really an appropriate description for the offshore regime. As argued in previous consultations there is a balance to strike between the needs of the generator, the OFTO and the consumer. Projects will not be able to go ahead if parties are asked to take on too much risk for a connection over which they have little control.

The enduring regime should include a commitment from Ofgem to involve generators during the ITT stage on the type of connection proposed. This will lessen the chance of a varied design being rejected by the generator at the agreement to vary stage. The generator may prescribe the design to a certain degree in the data room, but will not be able to indicate their preferences again until the final stage.

In paragraph 3.13 Ofgem states that "*as with onshore generators, parties can choose from two methods of providing security – the Final Sums Liability (FSL) regime and the Interim Generic User Commitment (IGUC) arrangements*". This is incorrect. National Grid does not currently offer IGUC to offshore users. BWEA understands that National Grid will consult on this shortly.

Furthermore if disproportionately large security sums are required at the outset of a project then at the very least this will encourage projects to apply phase by phase, rather than signal total requirements from the outset. At worst it will constitute a barrier to investment.

Section 4 – triggering the tender process

Do you agree with the proposed approach to initiating the tender process?

FORL agrees with the need for flexibility in the timing of tenders. A series of tender windows is a good and pragmatic approach to this. We are concerned that a considerable workload peak could be created for all parties including Ofgem by a number of generators selecting the same tender window. In addition the delay of one year to a project timescale because a window is missed by a small margin seems inefficient. It may be preferable to include several windows staggered across a year and potentially to vary window by region of the country, eg. North Sea window, West Coast window, etc.

We would re-iterate that generators need to be able to decide themselves when they seek an OFTO appointment. Assuming that a generator meets the relevant qualification criteria we would not be in favour of Ofgem having the power to set back a generator's preferred tender window. However, some scope for negotiation once initial tender windows are mapped out may well be helpful for generators, bidding OFTOs and Ofgem.

Should there be an earliest or latest point (relative to the connection agreement held by the generator) at which the generator should be required to request an OFTO appointment and when should that be?

Please see comments on page 2 of the document on this issue.

Do you agree with the proposed amendments to the qualifying project pre-conditions and tender entry conditions for the enduring regime?

We agree with the BWEA in feeling that it is important to learn from experience of the transitional tenders here. For instance have the information requirements for the data room worked well for Ofgem, developers and bidding OFTOs? Have demands been reasonable or unreasonable? If delays have occurred why has this been?

There is not enough background set out in the consultation to answer these questions, and in any event the transitional process is ongoing and it is perhaps premature to draw final conclusions. FORL would be keen that transitional experiences – good and bad – are used positively to enhance the enduring regime.

Some of the amendments to the tender qualifications essentially elevate Ofgem's control of the process and ask generator's to commit early to the process. Whilst we appreciate that Ofgem needs to be able to exercise control, Ofgem should also be mindful of the fact that it is the independent Regulator to whom generators appeal when they have problems with the connection process. Is this dual role fettering Ofgem's discretion? If generators are unhappy with the process and feel they cannot reasonably commit to the process, to whom do they appeal for an impartial determination?

Furthermore, generators are underwriting Ofgem's costs of providing a tendering service. Again whilst Ofgem has separated this function into Ofgem "e-serve", what kind of independent oversight is there that costs will be reasonable (in the absence of competition for this service)?

The consultation also introduces "*a possible requirement*" that "*the developer's project has an energisation date which is with a fixed number of years from the developer's date of application to the tender process.*" The concept of a fixed energisation date was raised by Ofgem in the context of the transitional regime, and BWEA membership, including FORL, did not support this. Ofgem agreed with us on that occasion. Again we would re-iterate that the risks around delivery dates are best managed contractually and through negotiation. Furthermore, a mirror obligation for the OFTO to deliver on time may not be acceptable to them.

Generators already have strong incentives to meet milestone dates worked into their Crown Estate lease conditions. Any delivery dates agreed with the OFTO should be capable of working with, rather than be at odds with, these existing obligations. It would be useful if Ofgem prepares the pre-construction transfer

agreement based on a case-by-case approach with developers involved in its preparation

Any fixed energisation dates will also be interactive with what comes from the Transmission Access Review in its final form. A Connect and Manage regime originally envisaged a fixed connection date but it is not clear how, or if, this will be implemented.

Do you have views on the time of year at which a tender window should be held?

Not yet. But as noted earlier, we would welcome the opportunity to feed into tender timing decisions, as the correct timing and frequency of tenders starts to emerge.

Do you have views on the best method of dealing with contingency costs?

FORL support flexibility on contingency costs and for the judgements to be made with the help of appropriate expertise. The cost categories that necessitate a contingency approach may alter with project-specific and external circumstances.

FORL welcomes the concept of the contingency as a positive step forward to allowing generators and bidding OFTOs to appropriately price and manage risk in the Early OFTO Appointment. This will reduce risk and the cost to the UK energy consumer from the risk premium only pricing strategy and promote Developer choice of the Early or late OFTO appointment.

FORL also favour an approach to contingencies that allowed costs to go down as well as up.

What is your view on the capping of the contingency and any associated incentives?

Please see response above.

FORL welcomes the contingency approach to mitigating the problem of cost predictability with early OFTO appointments. We feel that this goes some way towards recognising that the regime has contributions to make which go further than a one-off competitive event in appointing an OFTO.

Which items do you consider should be defined as pre-construction costs (and why)?

The most important consideration here is the actual costs that the developer <u>needs</u> to incur to meet its project timescales. Absolute timescales are set by the Crown Estate and built into the lease conditions. Any acceleration on these timescales is driven by commercial and project-specific considerations. Developers will be anxious to ensure that they are not penalised for doing what is required of them to get a successful project.

For these reasons we are not convinced that pre-construction costs should be defined generically. We would suggest project specific dialogue as appropriate.

FORL believe that it may be advantageous for generators to continue to incur 'pre-construction' costs following OFTO appointment and this should be allowed.

Do you consider that an Ofgem defined, standard pre-construction works transfer agreement is the appropriate vehicle for managing the transfer and payment of pre-construction costs?

FORL welcomes the concept of Ofgem providing some heads of terms which will provide some visibility to all parties of the negotiating framework. The acceptability of these terms will be contingent on matters such as:

- It depends what exactly the agreement commits the generator to. If the pre-construction works are being undertaken at risk – which they are – then the generator should have a strong hand in deciding what happens to them, and their worth.
- The transferability of liabilities attached to the pre-construction works
- The extent to which the OFTO will be willing to accept work undertaken by the generator –some agreed standards would be helpful in this respect

Para 4.34 states: "*We also note that we would expect Crown Estate round 2 projects currently entering pre-construction agreements to enter into separate contracts for the offshore generation and transmission works. Such transparency will aid the Authority's assessment of the efficiency of these costs.*"

The supply chain for offshore wind farms delivers these items as a package. There are obvious efficiencies in procuring wind farm and export cables together. Ofgem's proposal to separate out these agreements challenges international norms and would add extra cost for many projects adopting certain contracting strategies. It also removes the potential for the generator and OFTO to secure efficiencies in their costs.

Section 5 – the scope of the tender

Do you agree that the tender specification should be based on the connection application, with information also being provided relating to any pre-construction works undertaken?

Yes.

Do you agree that bidders should be given flexibility to respond to this specification as they see fit?

FORL believes that it may be necessary, for timescale reasons, to ask OFTO's to bid against a relatively tight specification for projects on very tight timescales. It is important to recognise that generators are facing extremely strong commercial pressures to find the most efficient and timely connection. These pressures come from locational charging methodology and from Crown Estate milestones in leases – the ultimate sanction being lease termination.

A design agreement statement between the NetSO and the generator should be a permitted to be placed in the data room.

More generally there is a careful balance here between promoting novel solutions and ideas, and providing generator's connection offers commensurate with their expectations. If generators are being asked to underwrite significant amounts up-front at their Stage 1 connection offer, it is reasonable to expect some kind of predictability or bounded cost for their connection, in return. However, if all of National Grid, Ofgem and the OFTO can all vary the connection design – and

hence cost to the developer – there is a significant and unknown risk for the generator. The Stage 1 offer is not very meaningful under these circumstances.

In the consultation Ofgem argues against the OFTOs taking on these kinds of unknown, unbounded, liabilities. Paragraph 5.25 states that "*In our view it is important that a tender specification is sufficiently bounded to ensure that bidders can clearly understand the rights and obligations placed on them and therefore submit financially firm bids. We do not therefore consider that approaches which would place an open ended obligation on OFTOs (for example a requirement to connect all future generation in a given geographic area) would be desirable*."

Paragraph 5.31 states that "*We consider that the likelihood of competition revealing efficient outcomes is likely to be reduced if parties are asked to assume an unknown obligation as a condition of receiving a transmission licence*."

Nonetheless the potential for significant variance in a generator's offer places just such unknown, open-ended financial obligations on the generator. Whilst FORL accepts that it is of course desirable to encourage innovation, Ofgem should consider carefully how this impacts on generator's costs compared to what might reasonably have been expected.

Parties will take risks against what they can control, or where they are making the decisions, but in the offshore regime Ofgem is making the decision but asking the generator in return to take substantial financial risk.

Ofgem's considerations go wider than the commercial incentives places on the generator. If decisions are taken by Ofgem which increase costs for the generator – when the generator has been incentivised to seek the lowest cost connection – then who bears the consequences of this decision deserves some further thought.

Paragraph 5.11 says that "*the onshore regulatory arrangements currently involve relatively little scope for generator participation over and above them specifying their requirements in a connection application*", which may be true. However generators in return usually know what TNUoS zone they are connecting into and the scope for cost variation post-signature is much, much lower than in the offshore regime. If, in the onshore context, generators were being asked to underwrite significant works in return for a connection offer that had no reasonable indication of costs (or benefits), things might look quite different.

As a developer, FORL very much welcomes Ofgem's discussion around the incentives to co-ordinate connections. The political imperatives for interconnection are very relevant here. We agree that the regime needs to be flexible enough to respond to developments and that it may be too early to draw any concrete conclusions here. Ofgem's emphasis however is on developers signalling their desire for co-ordination and co-operating with each other. We note that this is somewhat at odds with the emphasis on competition to keep costs down. It is not realistic to expect competing generators to fully co-operate, unless it is in their own interests – quite often it will not be.

Do you agree with our suggestion not to incorporate capacity oversizing into the enduring regime (unless financial commitment is provided for that capacity)?

We agree that considerations of best value for the consumer should guide Ofgem's decision-making but we do not agree that this rules out over-sizing of

assets. Prohibiting provision of some spare capacity may also unduly limit the scope for the OFTOs to innovate. Ofgem has duties towards future consumers as well as having sustainable development duties but says that "*Given our statutory duty to protect the interests of consumers, we find it difficult to argue that large, high cost subsea cables should be constructed to points a considerable distance from shore because of an expectation that developments will occur in those areas at some point in future*."

However we would question if this is consistent with Ofgem's duties towards future consumers, as well as with its duties on sustainable development. The assumption seems to be that over-sizing will lead to higher cost bids, but it can be cheaper overall to over-provide initially, exactly because there is an expectation that development will occur later on.

Ofgem may wish to note for instance that modelling by SHETL for Scottish island links demonstrates the economic viability of over-sizing assets when the cost of carbon is factored in. This is reported in two consultants' findings for work on enhanced TO incentives.[1]

The consultation states that "*the requirement* [for generators] *to post financial security to underwrite requests for capacity might create natural incentives to co-ordinate projects and mean that the likelihood of connection offers for very long lead time projects being sought (particularly were connect and manage transmission access arrangements in place onshore) may be unlikely.*" BWEA disagrees quite strongly on the first point – underwriting interactivity is a very strong disincentive to co-ordinate requests with competitors. Generators often very strongly favour bounded liabilities that do not vary with decisions made by other parties – this has been a major driver in the development of the IGUC underwriting option.

On the latter point we agree that underwriting promotes short-termism in that it discourages capacity from being developed in advance of a generator's certainty on their own project viability. We agree that this places a natural outward bound on the likelihood of generators tendering for assets very far in advance. This is the sole reason that the TO incentives work has been progressed and is why, where there is a need for decisions to be taken in time for need, there needs to be other mechanisms to achieve this.

We also note that on 7 December 2009 the Energy Minister Lord Hunt signed a political declaration "*to cooperate on the development of offshore wind infrastructure in the North Sea and Irish Seas*."[2] It recognises that this could be a complex task and calls for co-ordination between countries. Again this suggests that the enduring regime may need to accommodate broader perspectives than simply the generator's willingness to underwrite infrastructure at an early stage of its own single project development.

The proposal to look at the incremental capacity incentive on a case-by-case basis is welcome and this flexible approach should encourage some innovation.

We believe that OFGEM should consider reopeners, if a grid connection becomes an interconnection either partially or exclusively. A consultation is currently running on future treatment of interconnection for the UK and it would seem

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1 http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?file=100118_TOincentives_final_proposals_FINAL.pdf&refer=Networks/Trans/ElecTransPolicy/tar

2 http://www.decc.gov.uk/en/content/cms/news/pn146/pn146.aspx

inefficient to have cabling to an offshore windfarm that could be extended to from an interconnector only to find that the OFTO regime could not accommodate this potential.

Section 6 – Facilitating competition

Do you consider that supply chain exclusivity should be permissible under the enduring regime? If not, do you have proposals for enforceable measures for precluding it?

FORL notes that the supply chain does not necessarily want to work exclusively, and that existing anti-competitive legislation and rules may be sufficient to discourage exclusivity. The supply chain is keen to be pro-actively involved in the process and indeed this will be necessary for competent bids. There is also a need to provide the right signals to enable supply chain capability to be ramped up in time. Therefore we would not wish any new rules on exclusivity to unduly restrict the supply chain's essential contribution before OFTO appointment.

Do you consider that the option of bidding on the basis of indicative costs and tendering after appointment has merit?

Along with others in the sector, FORL considers that this is an interesting option and that it has merit. We would like some time to work through the implications in more detail. There is a possibility that an indicative costs approach could introduce risks and delay the process. Some scenario-based 'walk-through' would be helpful and we would be pleased to facilitate this with Ofgem's participation. We note that there is a concern that this could distance the supply chain from pre-OFTO appointment participation, and that this would need to be addressed.

Do you support our minded to position that explicit steps to facilitate new entry should not be included in the enduring regulatory regime?

Yes, extra steps do no seem necessary.

The consultation makes the pre-supposition that competition will promote innovation. FORL would note that the regime will promote innovation to the extent that it values innovation. If bids are evaluated primarily on the basis of cost, then innovation may be stifled. New entrants will not automatically bring innovation in the absence of it being rewarded in the bid evaluation process.

Should we include provisions in the enduring regime to ensure that access to offshore cable capacity and to offshore cable routes is made available? If so, what form should those provisions take?

If the existing proposals remain unchanged we are doubtful whether the regime would encourage any spare capacity. Nonetheless if it is provided via generator commitment then it should be available to that generator. If anticipatory investment incentives are built into the regime then the NETSO or some other body should be tasked with co-ordinating spare capacity.

We agree that there should be some oversight of cable routes. This not only includes access to cable routes but planning and co-ordination of cable crossings and pinch points. There is perhaps a role here for the Crown Estate or the NETSO.

Section 7 – Tender timings

Do you support, or have alternative, proposals for amending the key stages of, or otherwise stream lining, the tender process?

FORL welcomes the rationalisation of the pre-qualification stages. Further than that we note that it will be prudent to be able to flex the tender stages and duration subject to experience. Some flexibility in the length of the ITT stage should be considered. While it is important to have clarity on the tender timescale at the start of the process, the length of the ITT could be set according to requirements placed in the data room.

It should be noted that the longer the tender period the less validity there will be on the bid prices resulting in a risk premium.

Do you consider that the timings outlined will provide sufficient time for bidders to develop robust tender submissions and Ofgem to assess them?

See above.

In order to ensure an effective and timely procurement process through the supply chain, how long should the ITT stage last?

See above.

Section 8 – Bid evaluation

In which areas should we allow variant bids?

As noted earlier, FORL feels that variant bids that increase costs or denude the service for generators, pose significant issues and question the proportionality of generator underwriting to that date. There should naturally be a narrowing down of options commensurate with underwriting – if variant bids introduce uncertainty and cost then there are some major questions around who should be exposed to the consequences.

How should variants be treated in evaluation?

A major consideration should be the likelihood of generator acceptance of the Agreement to Vary. As stated previously, Ofgem should commit to consulting the generator throughout the ITT stage to ensure generator acceptance.

Do you have a view on the factors we should consider in evaluating bids?

As noted earlier in this response, and in previous responses, FORL believes that the weight afforded to innovation, forward-looking and anticipatory design should all be valued formally in the bid evaluation.

Section 9 – Revenue stream and incentive mechanisms

Do you consider that the existing incremental capacity incentives should be amended and, if so, what form should they take?

The consultation states that "*the purpose of the incremental capacity incentive is to provide scope for parties to respond to relatively minor changes in design specifications once the licence is granted (stemming from a change in a generator's requirements leading to a modification to a connection agreement) rather than to define a de-minimis threshold below which OFTOs will be able to expand capacity*."

This is contrary to our understanding, which was the latter rather than the former. We remain of the view that there should be scope for appointed OFTO's to undertake incremental expansion of existing capacity without the need for a new tender process. We appreciate that this creates issues around the revenue stream for the extra capacity. Given that the generator is paying these costs, this could be subject to facilitated negotiation.

The assumption for the incremental incentive, pre-construction, seems to be that OFTOs keep the benefits of cost reductions up to construction but that they can pass on any cost increases. FORL would prefer to see a more even-handed sharing of savings and cost increases built into the incentive.

How, if at all, should the existing availability incentive be updated for the enduring regulatory regime?

There is a 'big ticket' concern which remains that generators are taking on the risk of network failure without any control over this.

The OFTO is not necessarily incentivised to repair a connection failure as quick as possible. Depending on the loss of revenues stream, the OFTO may find it more convenient to delay repairs in a way that will be the least costly for the OFTO's business. This does not match the needs of a developer, since a longer repair action will mean a longer inability to transmit to shore and generate power. While the OFTO is not capable of taking on the full risk of lost generation, FORL would prefer an incentive which encourages fast repairs during periods of high generation.

There are other more detailed concerns around the treatment of monthly debits and credits – we note Ofgem's intention to work through these issues and look forward to commenting further as appropriate.

What is your view of the inclusion of a re-financing claw back mechanism?

Refinancing has benefits in cost reduction and should be included. It is difficult to assess the likelihood of windfall gains that could occur from refinancing at any time up to 20 years in the future. However, it is not clear how allowing the OFTO to retain all gains is beneficial for consumers. It has not been described how an OFTO retaining less than 100% of refinancing gains would be a tipping point to not seek these. Examples of a 50% split in claw-back have been seen in PFI models and could be used here provided they are across the board for project finance and generator finance. i.e. cannot be avoided by certain finance structures.

Do you have evidence of insurance market volatility that suggests that an incentive would be in the interests of consumers?

We have no evidence to add on this point.

Section 10 – Responding to future developments

Do you have comments on the practicality of the potential options for dealing with the future developments outlined?

We agree with Ofgem that the different options discussed each have some issues. It will be important to ensure that the generator can share any benefits arising from future use of infrastructure that it has paid for, either through a profit share or a refund. FORL considers there to be scope for facilitated negotiation between the generator(s) and the OFTO(s) as to the most appropriate solution, on a case-by-case basis.

Do you have alternative options for addressing the issues raised?

Yes – please see our comments on over-sizing of capacity. We remain convinced that some anticipatory investment will be of benefit to UK plc.

Are there other issues regarding future offshore developments which you consider need to be addressed?

The consultation treats the issue of future expansion as something that is not on the critical path – suggesting that it can be dealt with in the longer-term. FORL along with other BWEA members disagree with this assessment. For large offshore projects one of the very first decisions that a generator will need to make is whether to make a connection application for one large, phased project, or to make separate applications for each stage. This decision will be very much informed by the policy on future capacity expansions. We also note that the NETSO will benefit from advance signalling of need and hence may tend to prefer large, phased applications.

The issues around interconnection do need to be addressed, if not as part of the regime then alongside it. There is a need to develop thinking on how to manage interconnections between countries, and specifically to remove the regulatory barriers created by the offshore regime being regulated, and interconnections being developed largely on a merchant basis. There is a mis-match which at present will not promote efficient interconnection in areas such as the Irish Sea (connecting Wales and Ireland via offshore developments) or the North Sea connecting Round 3 projects with the German North Sea projects.

FORL are concerned that under the transitional regime there is a great deal of uncertainty over whether the generators can rightfully commission their assets before handing over to the OFTO. Our understanding is that handover cannot take place until the assets have been tested and commissioned because this is not a risk that the OFTO's funders wish to take. Does commissioning however place the generator in breach of the prohibition on transmission? We would like to see some written clarity on this point and we would be grateful if this could be prioritised.

We also request that Ofgem consider the many outstanding issues raised in earlier BWEA consultation responses and in our response to the open letter. http://www.ofgem.gov.uk/Networks/offtrans/pdc/cdr/cons2009/Documents1/Response%20from%20BWEA%20to%20An%20Open%20Letter%20on%20the%20Enduring%20Regime.pdf These are summarised in the appendix.

If you have any comments or require further clarification on any of the points raised in this response, please do not hesitate to contact me.

Yours sincerely,

Graeme Cooper
Policy, Regulatory and Compliance Manager
Fred.Olsen Renewables Ltd.